CRISIL Ratings

Rating Rationale

July 31, 2024 | Mumbai

Navi Finserv Limited

'CRISIL A/Stable' assigned to Non Convertible Debentures; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.3250 Crore (Enhanced from Rs.2750 Crore)**
Long Term Rating	**CRISIL A/Stable (Reaffirmed)**
Short Term Rating	**CRISIL A1 (Reaffirmed)**

Rs.1000 Crore Non Convertible Debentures	**CRISIL A/Stable (Assigned)**
Rs.500 Crore Non Convertible Debentures&	**CRISIL A/Stable (Reaffirmed)**
Rs.600 Crore Non Convertible Debentures^	**CRISIL A/Stable (Reaffirmed)**

& For public issuance
^ For public issuance
Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL A/Stable**' rating to Rs 1,000 crore non-convertible debentures of Navi Finserv Limited (NFL) and has reaffirmed its 'CRISIL A/Stable/CRISIL A1' ratings on the remaining debt instruments and bank facilities.

The ratings continue to factor in the healthy capital position of the company, which has strengthened post stake sale of Chaitanya India Fin Credit Pvt Ltd (CIFCPL), its strong risk management systems and a diversified resource profile. These strengths are partially offset by average, albeit improving, profitability, and inherent vulnerability in asset quality due to the unsecured nature of loans. The company also remains vulnerable to the changing regulatory landscape for digital lenders. Adverse impact of regulatory changes will be a key monitorable.

NFL's assets under management (AUM) registered steady growth over the last few quarters, and stood at Rs 11,725 crore as on June 30, 2024 (Rs 11,380 crore as on March 31, 2024), compared with Rs 7,855 crore as on March 31, 2023. This growth was primarily led by the digital personal loans portfolio, which grew to Rs 10,439 crore as on June 30, 2024 (Rs 10,204 crore as on March 31, 2024), from Rs 7,141 crore as on March 31, 2023. Housing loans continue to form the rest of the portfolio.

Analytical Approach

For arriving at the ratings, CRISIL Ratings has considered the standalone business and financial risk profiles of NFL. Incrementally, commitment of funding, managerial and operational support from Navi Technologies Ltd (NTL) and high financial flexibility with readily investible funds have also been factored into the ratings.

Key Rating Drivers & Detailed Description

Strengths:

- **Healthy capitalization:** Mr Sachin Bansal, CEO, holds ~98% stake in NTL, which in turn holds 100% stake in NFL. Of NTL's consolidated networth of Rs 4,066.3 crore as on March 31, 2024, most of it has been deployed into NFL as equity and convertible debt. NFL received an additional capital of Rs. 950 crores in fiscal 2023 through the issuance of equity shares & compulsory convertible debentures (CCD) from NTL. The net worth stood at Rs. 2270 crore as on March 31, 2023. Correspondingly in fiscal 2024, NFL received consideration of Rs. 1169 crore from sale of their MFI arm - CIFCPL, which further enhanced their capital base to Rs. 2,934 crores as on March 31, 2024 (Rs. 3008 crore as on June 30, 2024). Correspondingly, gearing remained comfortable at 2.2 times as on March 31, 2024 (2.4 times as on June 30, 2024). CRISIL Ratings believes the company's capitalisation will remain healthy supported by the financial flexibility of NTL and promoters as well as expected improvement in internal accrual. Gearing is expected to be sustained at less than 4.0 times over the medium term.

- **Strong risk management systems supporting improvement in asset quality metrics:** Asset quality has improved over the last few quarters, supported by strengthened underwriting and increased collection. The risk management systems of the company have been evolving, in line with changes in operating environment and to support increasing scale, primarily in the form of increasing effectiveness of the Navi app and the underwriting through retrained models and tight monitoring. With an expanding data base, the ML models used by NFL are improving with every retrain leading to better risk separation by models. While some of the improvement in asset quality metrics is a factor of steady AUM growth, majority of the traction is accredited to better selection of borrowers through the underwriting models, stringent approval rates and tight monitoring and collections systems of NFL. The company has been operating with a full-fledged digital underwriting engine and will continue to strengthen the same. Recent and newer originations have been performing well, as evidenced by constant improvement 30 PAR (static) across loan tenure buckets. Even though delinquencies from newer originations have been low, ability to sustain improvement in asset quality will remain a key rating sensitivity factor.

- **Diversified resource profile:** NFL's resource profile has been fairly diversified across product and lender type. The lender base of the company has expanded with more banks and other financial institutions coming onboard. While the funding base of NFL was skewed towards the debt from NTL in the past, however, its share has now declined significantly in favour of increasing term funding and capital market issuances. Of the total external outstanding borrowing of Rs 6,782 crore as on June 30, 2024, 45% was in the form of term loans, 27% pass-through certificates (PTCs), 21% NCDs, 6% commercial papers (CPs) and 1% market-linked debentures (MLD). In fiscal 2024, NFL raised ~Rs 6,700 crore at average cost of borrowing of ~10%.

Weaknesses:

- **Average, albeit improving, profitability:** In the past, the earnings profile was constrained due to high marketing expenditure and on account of higher credit costs. However, return on managed assets (ROMA) (excluding one-offs) improved to 1.4% in fiscal 2023, as against losses in fiscal 2022. In fiscal 2024, the company's RoMA (excluding one-offs) declined to 1.0% which was mainly due to high credit costs (including write offs). RoMA (including one-offs) for the company stood at 5.8% in fiscal 2024 as against 2.5% in fiscal 2023.

  Nevertheless, the company has tightened its risk management systems and over the last few quarters. As a result, profitability of the company has improved because of improvement in credit costs, which is also supported by reduced marketing expenses. RoMA for the first quarter ending June 2024 stood at 1.8% on an annualized basis.

  The ability of the company to manage its credit costs on a sustained basis while improving operational efficiencies and thereby profitability will continue to remain a key monitorable.

- **Susceptibility of asset quality given unsecured nature of loans:** The company focuses on giving unsecured loans, wherein asset quality metrics remain vulnerable to slippages especially in times of macro-economic head winds. For instance, 90+ dpd had seen a peak of ~15% during covid times leading to higher credit costs. Thereafter, due to certain underwriting changes, the asset quality was impacted for the originations in the second half of fiscal 2023. While the delinquencies have improved in fiscal 2024, the adjusted 90+ dpd (inc. trailing twelve months' write-offs) stood elevated at 5.8% as on June 30, 2024, as against 5.4% as on March 31, 2024, and 2.8% as on March 31, 2023. While new originations have been performing well in the recent quarters, the ability to improve asset quality metrics as the portfolio scales up on a static basis will remain a key monitorable. The segment is also vulnerable to the evolving regulatory landscape for digital lenders. Any material adverse impact of regulatory changes on the company's credit risk profile will be a key monitorable.

Liquidity: Strong

Asset-liability maturity profile was comfortable as on June 30, 2024, with positive mismatch in all buckets. As on June 30, 2024, NFL had ~Rs 1,030 crore of cash and liquid investments. Against this, it has ~Rs 1,653 crore of debt obligation over the next three months. The management intends to maintain at least 10% of assets of NFL or Rs 1,000 crore, whichever is higher, as on-tap liquidity.

Outlook: Stable

CRISIL Ratings believes NFL's capital position will remain strong in relation to the scale and nature of its operations, largely supported by NTL's demonstrated track record and future commitment of extending support.

Rating Sensitivity factors

Upward factors

- Scale up in operations, alongside sustenance in asset quality with GNPAs remaining below 3% for the lending business.
- Sustained improvement in credit costs thereby supporting overall profitability

Downward factors

- Any change in stance of support committed by NTL to NFL – potentially leading to capital position being weaker than that estimated; significant rise in gearing for NFL to beyond 3.5 times.
- Any deterioration in overall or standalone asset quality and profitability, constraining the internal accruals to networth

About the Company
NFL is a non-deposit taking, systemically important NBFC registered with RBI and a wholly owned subsidiary of Navi Technologies Ltd (NTL). The company had obtained a certificate of registration in March 2016 from RBI. NFL offer lending products like personal loans and home loans under the “Navi” brand. Mr. Sachin Bansal presently holds about 98% stake in the company which, in turn, holds 100% stake in NFL.

In fiscal 2024, NFL reported a Proft after tax (PAT) of Rs. 669 crore with a RoMA of 5.8%.

Key Financial Indicators (NFL; Standalone)

As on/ for the period ended		Jun-24^^	Mar-24	Mar-23	Mar-22
Total managed assets^	Rs crore	14299	13295	9788	3593
Total income#	Rs crore	547.0	2614.2	1377.1	459.9
Profit after tax#	Rs crore	61.6	668.8	172.0	-66.9
Gearing (including debt from NTL)	Times	2.4	2.2	2.5	2.4
Gearing (excluding intra group debt)	Times	2.3	2.1	2.4	1.8
Return on managed assets (annualised)^#	%	1.8*	5.8	2.5	-1.8

#including treasury gains
**annualized*
^including off-book
^^Provisional numbers
Note: The figures pertaining to June 2024 in the rating rationale are on a provisional basis

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Core)	Complexity	Rating assigned with outlook
NA	Non Convertible Debentures^	NA	NA	NA	1000	Simple	CRISIL A/Stable
NA	Non Convertible Debentures (for Public issuance)^	NA	NA	NA	75.46	Simple	CRISIL A/Stable
NA	Non Convertible Debentures (for Public issuance)^	NA	NA	NA	18.36	Simple	CRISIL A/Stable
INE342T07437	Non Convertible Debentures (for Public issuance)	13-Mar-2024	10.40%	13-Jun-2026	95.14	Simple	CRISIL A/Stable
INE342T07445	Non Convertible Debentures (for Public issuance)	13-Mar-2024	11.19%	13-Mar-2027	49.8	Simple	CRISIL A/Stable
INE342T07452	Non Convertible Debentures (for Public issuance)	13-Mar-2024	10.90%	13-Jun-2026	64.02	Simple	CRISIL A/Stable
INE342T07460	Non Convertible Debentures (for Public issuance)	13-Mar-2024	10.65%	13-Mar-2027	94.29	Simple	CRISIL A/Stable
INE342T07478	Non Convertible Debentures (for Public issuance)	13-Mar-2024	10.00%	13-Sep-2025	221.29	Simple	CRISIL A/Stable
INE342T07379	Non Convertible Debentures (for Public issuance)	18-Jul-2023	10.25%	18-Oct-2025	97.25	Simple	CRISIL A/Stable
INE342T07387	Non Convertible Debentures (for Public issuance)	18-Jul-2023	10.50%	18-Jul-2026	67.5	Simple	CRISIL A/Stable
INE342T07395	Non Convertible Debentures (for Public issuance)	18-Jul-2023	10.75%	18-Oct-2025	73.18	Simple	CRISIL A/Stable
INE342T07403	Non Convertible Debentures (for Public issuance)	18-Jul-2023	11.02%	18-Jul-2026	50.79	Simple	CRISIL A/Stable

INE342T07411	Non Convertible Debentures (for Public issuance)	18-Jul-2023	9.75%	18-Jan-2025	192.92	Simple	CRISIL A/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	509.32	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	05-Apr-2027	95.09	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	27-Feb-2026	117.77	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	30-Nov-2025	52.5	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Mar-2026	33.25	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-May-2026	16.66	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-May-2025	9.33	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-May-2026	35.42	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	30-Sep-2024	4.42	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	30-Apr-2026	80	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	03-Sep-2025	19.67	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	18-Oct-2024	15.94	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	28-Feb-2027	65.28	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Aug-2027	397.21	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	10-Jun-2026	1.79	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	30-Apr-2026	15.63	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	28-Feb-2027	111.61	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	05-Sep-2025	13.03	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	30-Nov-2025	20	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Dec-2025	5.42	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	22-May-2025	33.33	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-May-2026	133.58	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	15-Sep-2026	84.67	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-May-2025	45	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	10-Jun-2026	50	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	28-Jun-2024	4.17	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	03-Apr-2026	69.35	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Dec-2025	68.75	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	28-Jul-2025	44.89	NA	CRISIL A/Stable

NA	Term Loan	NA	NA	28-Jul-2025	142.55	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	17-Mar-2025	20.83	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Mar-2026	94.84	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	29-Nov-2026	213.33	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	03-Sep-2025	18.5	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-May-2026	100	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	22-Aug-2024	2.87	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	20-Mar-2026	30	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Aug-2025	50	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-Mar-2025	13.64	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-May-2027	90.91	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	01-Sep-2025	50	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	28-Jun-2026	102.1	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	01-Dec-2024	12.35	NA	CRISIL A/Stable
NA	Term Loan	NA	NA	31-May-2027	100	NA	CRISIL A/Stable
NA	Working Capital Demand Loan	NA	NA	NA	35	NA	CRISIL A1
NA	Working Capital Demand Loan	NA	NA	NA	20	NA	CRISIL A/Stable

^Yet to be issued

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT/ST	3250.0	CRISIL A1 / CRISIL A/Stable	01-07-24	CRISIL A1 / CRISIL A/Stable	04-12-23	CRISIL A1 / CRISIL A/Stable	02-12-22	CRISIL A1 / CRISIL A/Stable	10-12-21	CRISIL A-/Stable	CRISIL A-/Stable
			--	19-06-24	CRISIL A1 / CRISIL A/Stable	13-10-23	CRISIL A1 / CRISIL A/Stable	30-09-22	CRISIL A-/Stable	09-06-21	CRISIL A-/Stable	--
			--	23-04-24	CRISIL A1 / CRISIL A/Stable	22-09-23	CRISIL A1 / CRISIL A/Stable	22-06-22	CRISIL A-/Stable		--	--
			--	28-03-24	CRISIL A1 / CRISIL A/Stable	16-08-23	CRISIL A1 / CRISIL A/Stable	23-02-22	CRISIL A-/Stable		--	--
			--	22-02-24	CRISIL A1 / CRISIL A/Stable	06-07-23	CRISIL A1 / CRISIL A/Stable	18-02-22	CRISIL A-/Stable		--	--
			--	15-01-24	CRISIL A1 / CRISIL A/Stable	09-06-23	CRISIL A1 / CRISIL A/Stable		--		--	--
			--		--	03-05-23	CRISIL A1 /		--		--	--

							CRISIL A/Stable					
			--		--	30-03-23	CRISIL A1 / CRISIL A/Stable		--		--	--
			--		--	29-03-23	CRISIL A1 / CRISIL A/Stable		--		--	--
			--		--	13-01-23	CRISIL A1 / CRISIL A/Stable		--		--	--
Non Convertible Debentures	LT	2100.0	CRISIL A/Stable	01-07-24	CRISIL A/Stable	04-12-23	CRISIL A/Stable		--		--	--
			--	19-06-24	CRISIL A/Stable	13-10-23	CRISIL A/Stable		--		--	--
			--	23-04-24	CRISIL A/Stable	22-09-23	CRISIL A/Stable		--		--	--
			--	28-03-24	CRISIL A/Stable	16-08-23	CRISIL A/Stable		--		--	--
			--	22-02-24	CRISIL A/Stable	06-07-23	CRISIL A/Stable		--		--	--
			--	15-01-24	CRISIL A/Stable	09-06-23	CRISIL A/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	**500**	**Not Applicable**	**CRISIL A/Stable**
Proposed Long Term Bank Loan Facility	**9.32**	**Not Applicable**	**CRISIL A/Stable**
Term Loan	**18.5**	**AU Small Finance Bank Limited**	**CRISIL A/Stable**
Term Loan	**100**	**HDFC Bank Limited**	**CRISIL A/Stable**
Term Loan	**2.87**	**Cholamandalam Investment and Finance Company Limited**	**CRISIL A/Stable**
Term Loan	**30**	**SBM Bank (India) Limited**	**CRISIL A/Stable**
Term Loan	**50**	**IndusInd Bank Limited**	**CRISIL A/Stable**
Term Loan	**33.33**	**Kotak Mahindra Bank Limited**	**CRISIL A/Stable**
Term Loan	**133.58**	**HDFC Bank Limited**	**CRISIL A/Stable**
Term Loan	**84.67**	**Kisetsu Saison Finance India Private Limited**	**CRISIL A/Stable**
Term Loan	**45**	**ICICI Bank Limited**	**CRISIL A/Stable**
Term Loan	**50**	**Tata Capital Financial Services Limited**	**CRISIL A/Stable**
Term Loan	**213.33**	**IDFC FIRST Bank Limited**	**CRISIL A/Stable**
Term Loan	**95.09**	**Poonawalla Fincorp Limited**	**CRISIL A/Stable**
Term Loan	**117.77**	**YES Bank Limited**	**CRISIL A/Stable**
Term Loan	**52.5**	**MAS Financial Services Limited**	**CRISIL A/Stable**
Term Loan	**33.25**	**Manappuram Finance Limited**	**CRISIL A/Stable**
Term Loan	**16.66**	**The Federal Bank Limited**	**CRISIL A/Stable**

Term Loan	**4.17**	**Ujjivan Small Finance Bank Limited**	**CRISIL A/Stable**
Term Loan	**69.35**	**Hero FinCorp Limited**	**CRISIL A/Stable**
Term Loan	**68.75**	**The Hongkong and Shanghai Banking Corporation Limited**	**CRISIL A/Stable**
Term Loan	**44.89**	**JM Financial Products Limited**	**CRISIL A/Stable**
Term Loan	**142.55**	**JM Financial Products Limited**	**CRISIL A/Stable**
Term Loan	**20.83**	**Piramal Enterprises Limited**	**CRISIL A/Stable**
Term Loan	**94.84**	**Axis Bank Limited**	**CRISIL A/Stable**
Term Loan	**13.64**	**The Karur Vysya Bank Limited**	**CRISIL A/Stable**
Term Loan	**90.91**	**Bank of Maharashtra**	**CRISIL A/Stable**
Term Loan	**50**	**Bandhan Bank Limited**	**CRISIL A/Stable**
Term Loan	**102.1**	**Hinduja Leyland Finance Limited**	**CRISIL A/Stable**
Term Loan	**12.35**	**Utkarsh Small Finance Bank Limited**	**CRISIL A/Stable**
Term Loan	**100**	**Bank of Maharashtra**	**CRISIL A/Stable**
Term Loan	**9.33**	**CSB Bank Limited**	**CRISIL A/Stable**
Term Loan	**35.42**	**The Federal Bank Limited**	**CRISIL A/Stable**
Term Loan	**4.42**	**Aditya Birla Finance Limited**	**CRISIL A/Stable**
Term Loan	**80**	**Jana Small Finance Bank Limited**	**CRISIL A/Stable**
Term Loan	**19.67**	**AU Small Finance Bank Limited**	**CRISIL A/Stable**
Term Loan	**15.94**	**Mahindra and Mahindra Financial Services Limited**	**CRISIL A/Stable**
Term Loan	**65.28**	**Indian Overseas Bank**	**CRISIL A/Stable**
Term Loan	**397.21**	**State Bank of India**	**CRISIL A/Stable**
Term Loan	**1.79**	**Tata Capital Financial Services Limited**	**CRISIL A/Stable**
Term Loan	**15.63**	**Jana Small Finance Bank Limited**	**CRISIL A/Stable**
Term Loan	**111.61**	**Canara Bank**	**CRISIL A/Stable**
Term Loan	**13.03**	**Shriram Housing Finance Limited**	**CRISIL A/Stable**
Term Loan	**20**	**MAS Financial Services Limited**	**CRISIL A/Stable**
Term Loan	**5.42**	**The Hongkong and Shanghai Banking Corporation Limited**	**CRISIL A/Stable**
Working Capital Demand Loan	**10**	**Bandhan Bank Limited**	**CRISIL A1**
Working Capital Demand Loan	**25**	**IndusInd Bank Limited**	**CRISIL A1**
Working Capital Demand Loan	**20**	**Capsave Finance Private Limited**	**CRISIL A/Stable**

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Finance Companies
CRISILs Criteria for rating short term debt

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For more information, visit www.crisilratings.com

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